

A Common Purpose



**Fiscal Year 2006
Executive Budget Recommendations**

**James H. Douglas
Governor of Vermont
January 19, 2005**



Dear Fellow Vermonters:

Vermont's economy continues its steady improvement. Our focus on jobs is paying off, and this great state now enjoys the lowest unemployment rate in the nation. In the past year, more Vermonters were working than ever before. Still, there is much to do.

Our primary task is to maintain fiscal policies that require state government to live within its means, just like the average Vermont family. We are quite fortunate that Vermont's economy is recovering. Despite robust revenues in the General and Education Funds, we face very difficult budget choices for the coming fiscal year. The fiscal pressures are largely due to five systemic challenges:

- First and foremost, the looming deficit in Vermont's Medicaid program rightly stands as the biggest challenge of the 2005 legislative session.
- Secondly, the State's budget is burdened by continued, large Human Services cost increases. Every sector of the Agency of Human Services is facing pressures to increase budgets to provide additional services and address increased caseload demand.
- Rising salary and benefit costs for state workers significantly impact the budget.
- While we have bolstered various internal state accounts, there are other Funds that face existing or future shortfalls (e.g., a reserve account to fund medical benefits for retired state workers and public school educators).
- Despite strong General Fund and Education Fund revenues, diminished receipts from other sources (e.g., Federal government support, Transportation revenues, hunting and fishing licenses, and fees at state parks and historic sites) have put pressure on numerous state programs.

During the last biennium, despite our differences, my Administration and the legislature collaborated to fully replenish our rainy day funds and to fund responsible, balanced budgets (without increasing Vermont's tax burden). While we also passed a wide variety of important legislation, we were unable to reach agreement to reform Vermont's Medicaid system.

I look forward to working with the General Assembly to pass a budget that is fiscally sustainable, funds essential government services, and addresses the unsustainability of the current Medicaid system. I stand ready to find common ground on a responsible fiscal course.

Sincerely,

A handwritten signature in blue ink, which appears to read "Jim Douglas", is written over a circular blue ink stamp.

James H. Douglas
Governor

FISCAL YEAR 2005 BUDGET ADJUSTMENT

Revenue Projections

The January 14, 2005 consensus forecast of \$981.3 million for State of Vermont FY 2005 General Fund revenues, represents a \$31.3 million increase from the July 2004 consensus estimate of \$950.0 million at the start of the 2005 fiscal year.

Both the Transportation Fund and the Education Fund experienced slight adjustments as a result of the January 2005 consensus forecast. The FY 2005 Transportation Fund projection was reduced by \$0.6 million, while the Education Fund projection was increased by \$3.3 million. The following chart shows how the expectations for FY 2005 have been revised over the past 12 months.

Fiscal Year 2005 Revenue Forecasts
\$ Millions

	January 2004	July 2004	January 2005
General Fund	\$922.6 m	\$950.0 m	\$981.3 m
Transportation Fund	\$214.6 m	\$214.3 m	\$213.7 m
Education Fund ¹	\$146.5 m	\$147.0 m	\$150.3 m

FY 2005 Appropriation Adjustments

The 2005 budget adjustment that the Governor is submitting to the Legislature reflects General Fund appropriation increases totaling approximately \$32.9 million. These upward adjustments are composed mainly of Human Services needs. The largest expense is an increased appropriation to the Health Access Trust Fund to cover higher than expected FY 2005 Medicaid costs. There are also increased appropriations for the Vermont State Hospital, increased childcare subsidies and higher costs in the Department of Corrections. The Administration also recommends transfers from the General Fund totaling \$36.7 million, the largest of which dedicates \$20 million to help fund the FY 2006 shortfall in the Health Access Trust Fund. Collectively, the Human Services pressures consume most of the available revenue increases since the Legislature originally passed the FY2005 budget.

¹ This represents the non-property tax revenues, which in FY 2005 make up 13% of the total Education Fund. Property taxes comprise 64%; the transfer from the General Fund constitutes 22%; and other sources contribute 1%.

Governor's FY 2005 Budget Adjustment

Appropriations and Transfers

General Fund: Millions \$

Appropriations (FY 2005 BAA)

Agency of Human Services		
Medicaid for FY 2005	\$	19.1
Children & Families	\$	5.3
Corrections	\$	2.7
Vermont State Hospital	\$	2.5
Sub-total AHS	\$	29.6
Other		
Debt Service (pre-reserved)	\$	2.0
Other	\$	1.3
Sub-total Other	\$	3.3
Total Appropriations	\$	32.9

Transfers

Medicaid for FY 2006	\$	20.0
Capital Bill for FY 2006	\$	4.0
General Fund Budget Stabilization Reserve	\$	2.4
Transportation Fund: Offset Revenue Reduction	\$	1.6
Internal Service Funds	\$	6.3
Retiree Medical Benefits Reserve	\$	2.0
Forests, Parks & Recreation	\$	0.4
Total Transfers	\$	36.7

Governor Douglas recommends lesser adjustments to the current fiscal year budget for Transportation and Education Funds. One major Transportation Fund adjustment is to correct a technical error in the 2004 Transportation appropriation, which directed surplus FY 2004 revenues to certain projects in conflict with the legislative intent to allow unspent FY 2004 Transportation Funds to carry into FY 2005. The detailed listing of recommended budget adjustment appropriations appears on pages 12-13.

FISCAL YEAR 2006:

The latest revenue forecast approved by the Vermont Emergency Board (January 14, 2005) raised projected FY 2006 revenues from the previous forecast made six months earlier. The latest forecast increases projected General Fund revenues in fiscal year 2006 by \$37.8 million. Unfortunately, the FY 2006 Transportation Fund revenue projection was decreased by \$1.0 million. Forecasts for certain tax revenues dedicated to the Education Fund were increased by \$3.9 million for FY 2006. The consensus forecast warns that there is still downside risk that these targets might not be reached. Looking ahead to FY 2007, the Consensus Revenue Forecast projects a \$31.4 million increase which, if realized, will require even more difficult trade-offs than in this proposed budget.

The Governor's FY 2006 budget offers a responsible approach to the significant fiscal challenges currently facing Vermont. Through selective program reductions and limited incremental investments, the Governor presents a thoughtful blueprint to live within our means and position the Vermont economy for continued prosperity. As such, spending growth (FY 2005 adjusted to FY 2006) is proposed at 1.4% for the General Fund, and -0.5% for the Transportation Fund and 2.5% across all funds.

Adhering to the Governor's spending plan will allow state government to balance the 2006 budget without exacerbating the tax burden borne by individuals and businesses. This budget maintains a fully replenished General Fund Stabilization Reserve and also leaves the Transportation Fund and Education Fund reserves full, while providing much needed property tax relief to Vermonters.

Fiscal Year 2006 Revenue Forecasts \$ Millions

	January 15, 2004	July 15, 2004	January 14, 2005
General Fund	\$957.5 m	\$976.7 m	\$1014.5 m
Transportation Fund	\$221.6 m	\$221.8 m	\$220.8 m
Education Fund ²	\$150.8 m	\$151.0 m	\$154.9 m

² This represents the non-property tax revenues, which in FY 2005 make up 13% of the total Education Fund. Property taxes comprise 64%; the transfer from the General Fund constitutes 22%; and other sources contribute 1%.

Highlights of Governor Douglas's Fiscal Year 2006 Proposals

Health

Medicaid

As the Governor has frequently noted, Vermont's Medicaid program struggles under the weight of four main pressures:

- Medicaid has witnessed significant inflationary cost increases over the past several years due to increased participants, increased utilization and increased cost of services.
- Vermont has a very generous program, which was expanded to include those who do not qualify for traditional Medicaid.
- The Federal Government support for the program continues to decline due to an increase in Vermont's per capita personal income relative to the national average.
- Other revenues, dedicated to Medicaid, have failed to increase at the same rate as Medicaid costs.

Beginning with FY 2002, the Legislature consolidated state revenues that support the Medicaid program into a single fund called the Health Access Trust Fund. Unfortunately, the spiraling growth in Medicaid expenses has put this program and its Trust Fund on an unsustainable course.

As can be seen in the following table, revenues deposited into the Fund are not growing at rates that will support expenditures. Hence, without action, the Trust Fund will become insolvent in FY 2006. Left unresolved, the cumulative deficit will balloon to over \$280 million in the FY 2008 budget, which will be considered by the next Legislature in just two years.

Current Projection of Medicaid Deficit

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Revenues	592,427,900	624,763,101	661,943,534	706,523,987	750,624,192
Medicaid Cost	<u>669,956,397</u>	<u>725,164,761</u>	<u>784,967,881</u>	<u>849,749,582</u>	<u>919,925,818</u>
Net Revenue/(deficit)	(77,528,497)	(100,401,660)	(123,024,347)	(143,225,595)	(169,301,626)
Carryforward	<u>16,307,127</u>	<u>(61,221,370)</u>	<u>(161,623,030)</u>	<u>(284,647,377)</u>	<u>(427,872,972)</u>
Year-end balance	(61,221,370)	(161,623,030)	(284,647,377)	(427,872,972)	(597,174,598)

Within days of his first inauguration, the Governor proposed changes to initiate the difficult process of ensuring the sustainability of the Health Access Trust Fund. He proposed a reform package that asked for greater cost sharing by participants through a deductible program tiered to income. The Legislature instead elected to change the co-pay system to a premium plan but without addressing the fundamental fact that expenditure growth is spiraling upward at a rate that outpaces revenues. Enacting the Governor's modest proposals two years ago would have begun the reform process and helped to avoid the larger changes Vermont now faces. Nonetheless, the Administration successfully established the first multi-state prescription drug pool for Medicaid to reduce the cost of drugs and is likely to achieve a Medicaid waiver with the Federal Government to refocus our services for the aged and individuals with disabilities to home-based care, giving seniors the choice they desire, while at the same time increasing the quality of care and reducing costs. To address the FY 2006 deficit, the Administration is proposing a three-pronged strategy focused specifically on this problem. The Administration's recommended solutions (which are detailed in a separate document) include:

1. Changes to the programs that increase participant contributions and limit program expense. Rather than proposing large broad scale cuts to the program, the Administration recommends many smaller cuts and adjustments.
2. Redirecting the Property Transfer Tax from the General Fund to the Health Access Trust Fund (for a net gain of \$10 million to the Medicaid program) and using \$20 million of surplus FY 2005 revenues to address the short-term problems while more intermediate-term solutions are implemented.
3. Negotiating a global budget commitment from the Federal Government, which provides an attractive revenue stream and greater program flexibility.

Chronic Care

The Governor plans to expand the Chronic Care initiative, which is designed to address the needs of Vermonters facing debilitating medical conditions. While chronic diseases are among the most prevalent and costly, they are also among the most preventable. The system as it now stands cannot do the job needed to provide the best care for people with chronic conditions. This program was developed to improve the ability of both the public and the providers to prevent chronic disease and to control it effectively when it occurs. Some highlights are:

- Self-Management: To enable Vermonters with chronic conditions to be effective managers of their own health.
- Provider Education: To train physicians in use of the Chronic Care Model.
- Healthful Communities: For community grants for active living resources.
- Health Information System: To develop a chronic care information system and patient registry to support the prevention, treatment and management of individual and population based care.
- Health Care Systems: To integrate the Chronic Care Model into the health care management and payment systems to give it an institutional base for continuing.
- Infrastructure & Administration: To provide program evaluation and development.

The Governor's budget also includes funding for the Fit and Healthy Kids initiative. This is not only an investment in children, but will also serve as preventive action against the long-term health risks and costs associated with obesity.

Mental Health Services

The Administration has proposed a 7.5% General Fund increase to Community Mental Health providers to cover inflationary increases and increased caseload. It has also budgeted additional General Fund dollars to replace the federal funds lost from the FY04 base due to the decline in the federal participation rate.

Vermont State Hospital

Inpatient services at Vermont State Hospital (VSH) are for involuntary emergency examinations and commitments in which adults have become dangerous to themselves or others, or for psychiatric evaluations of competency to stand trial in criminal cases. VSH regained certification by the Center for Medicare and Medicaid Services (CMS) in November 2004. This re-established Medicaid funding, but unfortunately, because VSH is solely for the treatment of mental disease, CMS has begun a two-year process of phasing out all support. Vermont is one of the last states to which this policy has been applied. The Governor and Legislature will be reviewing the soon to be completed Designated Agency Sustainability and VSH Future studies to decide what must be done to provide the necessary services in a financially sustainable way. In the meantime, the Governor is recommending an increase in the General Fund appropriation.

DETER (Drug Education, Treatment, Enforcement and Rehabilitation)

Vermont is not immune from the individual misery and social distress that accompanies substance abuse. Vermont continues its three-pronged approach of drug interdiction to constrain the flow of drugs, treatment and support for those who are combating addiction, and education and counseling of our children to help them avoid becoming involved in substance abuse. This budget includes resources for ten additional substance abuse counselors in our schools, and also adds four more recovery centers, to bring the statewide total to ten.

The Environment

Clean and Clear Statewide Action Plan

Administered by the Agencies of Agriculture and Natural Resources, Clean and Clear is the Governor's program to improve and protect water quality in the Lake Champlain basin (encompassing all or part of 11 Vermont counties) as well as other Vermont lakes, rivers and streams. Proposed funding for FY 2006 includes \$9.2 million of state operating funds and capital investments. This is an increase in overall state support of 20% from last year. In addition, we anticipate \$7.5 million of Federal funds to support the state's efforts.

Department of Fish and Wildlife

The Governor is recommending further funding from the General Fund to help offset lower hunting and angling license revenues.

Economic Development

Economic Development and Job Creation has been a priority for the Governor, and this commitment continues in FY 2006, the first year of his second term.

In FY 2004, Act 67 added \$105 million through VEDA for an economic development, jobs, and agricultural loan program. This program continues to be available to businesses and agriculture in FY 2006.

For FY 2005, the Governor's Jobs Initiative added over \$1 million for business recruitment and retention, broadband and telecommunication improvements, increased job training and added support for Regional Development Councils (RDC's). In addition, the FY 2005 Budget Adjustment Proposal includes an increase of \$300,000 for the Vermont Training Program.

In FY 2006, the Governor is recommending additional funding to the Agency of Commerce and Community Development to further invest in training Vermonters for 21st century job opportunities through a \$500,000 increase in the Vermont Training Program. There is also an additional \$150,000 for RDC's to expand our support of their vital role in economic development in Vermont.

Department of Employment and Training

The department has traditionally received virtually all its funding from the Federal Government and little from Vermont taxpayers. Changing federal priorities and demands on the national budget have meant federal funding of major employment and training programs has not been increased or adjusted for inflation for several years. Rather, the funding has been reduced through decreased appropriations, or rescissions, or has remained static. Faced with this reality and continually rising overhead costs, the Department of Employment and Training (DET) will need to utilize contingency funds to balance FY 2005. For FY 2006, the department will implement a new delivery system that will be both more cost effective and more responsive to the evolving employment market.

The new delivery system will utilize technology, such as Vermont Job Link, an Internet-based job matching and information system, and the expertise of DET staff. The new strategy envisions expanded access by deploying staff strategically around the state. Their role will be to determine employer needs, identify Vermonters who can meet those needs and work to ensure that appropriate skill-based training opportunities are made available. To support this model, the department will consolidate its 12 offices into six fully staffed regional career centers located in Bennington, Rutland, Springfield, Barre, St. Johnsbury and Burlington. Staff from the six centers will visit and provide services to various towns on a scheduled basis, and will also work directly with area employers to identify needs and understand the industries they serve. The Department will also expand its outreach to the many diverse service providers to address the challenges of Vermont's economy and to help Vermonters gain economic independence.

Reorganization: Department of Labor

The Administration proposes the merger of the Department of Labor & Industry and the Department of Employment & Training into a new Department of Labor to strengthen the services both departments now provide to both employees and employers. The new department will create one administrative umbrella for labor issues from unemployment compensation and work force training to workers' compensation and workplace safety.

The streamlined department will have a Commissioner responsible for overall operations, assisted by a Deputy Commissioner, responsible for administrative support and oversight of compliance functions. Three Directors will each be responsible for a specialized department including Insurance and Wages, Workforce Development, and Workers' Compensation and Safety.

The new department will provide a better service delivery model for employers and individuals, and will, in the long-term, provide for a strong organizational structure and better efficiencies.

In order to provide improved training and greater attention to fire safety needs, the Administration has established a Fire Safety Division within the Department of Public Safety. This Fire Safety Division includes Assistant Fire Marshals formerly from the Department of Labor and Industry. After this change, it was clear that the remaining responsibilities of the Department of Labor and Industry would be best situated merged with the Department of Employment and Training in a new Department of Labor.

Protection

Public Safety

In his FY 2006 budget, the Governor has included support to retain ten (10) trooper positions, which had lost federal funding under the Federal Corridor (Special Traffic Enforcement) program. Since coming to office, the Governor has supported funding for these ten positions, plus another 26 trooper positions, which had previously been held vacant.

Corrections

In recent years, the Governor has recommended substantial expenditure increases to improve the capacity and quality of its correctional system. To address a growing prisoner population, the state opened the Southern State Correctional Facility, housing approximately 360 inmates in Springfield. The addition of this facility and the new out-of-state prisoner housing contract were undertaken to reduce prison overcrowding. During the past year, the steady increase in Vermont's total prisoner population slowed largely due to a reduction in the number of pre-trial detainees.

Major increases in the FY 06 Governor's Recommend include: \$2.1 million to cover annualization of prior year pay increases, related payroll taxes, health insurance, \$2.0 million for increases for inmate healthcare, mental health services, food and utility costs; funds to cover some loss of federal grants; and \$1.6 million for increased out-of-state caseload costs over the initial FY 2005 figures.

In response to the recent study on prison overcrowding, the Governor is recommending:

- A second work camp for minimum-security prisoners similar to the current facility in St. Johnsbury.
- Doubling the number of transitional housing beds available around the state. This common sense step will enable the Corrections Department to help offenders who have completed their sentences, but are unable to leave jail due to a lack of transitional housing, to reintegrate into society. The vacated prison beds will in turn be available to reduce reliance on out-of-state facilities.

- Increased support for vital substance abuse treatment and job skill development.
- The launch of a pilot program using global positioning satellite (GPS) technology to enhance community supervision of a small group of DUI felony offenders, who would otherwise be incarcerated.

Military

Fiscal year 2006 funding for the Military Department includes: (1) \$56,317 to restore the Tuition Grant Program to the statutory maximum of \$200,000; (2) \$15,000 for veterans medals; (3) \$40,000 to continue assistance for survivors of casualties in the war on terrorism; (4) \$42,815 for the Disabled & Needy Veterans Fund; and (5) \$10,000 to fund the Governor's Veterans Advisory Council.

Fire Service

The Governor is again recommending an appropriation of \$50,000 to add to the firefighters death benefit fund. In the FY 2006 capital budget, the Governor recommends \$225,000 for the Vermont Fire Service Training Academy to begin the design and development of their much needed emergency service training classrooms to ensure that Vermont's firefighters are well trained to meet the emergencies to which they respond on a daily basis.

Education

Higher Education

The University of Vermont, the Vermont State Colleges System, and the Vermont Student Assistance Corporation will each receive a 3% increase in the Governor's fiscal year 2006 budget.

K-12 Public Schools

One of the largest increases in the Governor's proposed budget is a \$10 million increase in the General Fund transfer to the Education Fund. The total Education Fund transfer is the largest single General Fund appropriation, representing more than one quarter of general state spending. In the last biennium, Act 68 replaced Act 60, Vermont's prior education funding system. Among other things, the new law repealed the "sharing pool," differentiated between homestead and non-residential properties, and lowered property tax rates.

Property Taxes

Act 68 brought property tax relief to Vermonters in FY 2005. Due to this change in the education finance law, as well as higher than anticipated property value growth, the Governor recommended, and the Legislature approved, a 5-cent reduction (per \$100 valuation) in property tax rates to all individual and business property owners in the state.

The Governor recommends a further 3-cent reduction for FY 2006. This results in a total reduction of 8 cents from the statutory property tax rates. In the coming months, if the Education Fund surplus allows, the Governor will advocate for additional property tax relief through a further rate reduction.

Transportation

The Agency of Transportation (AOT) is actively working to assure continued progress on major roadway programs such as the Bennington Bypass, the reconstruction of US Route 7, and, as soon as practical, the Circumferential Highway. In its FY 2006 budget proposal, the Administration again advocates for continued strong support of paving projects for the state highway system. Investments in vital Interstate and State Highway bridges will increase over 15%. One of the Governor's priorities, the Missisquoi Bay Bridge, is expected to be completed in FY 2007. The Administration again strongly recommends that the Legislature appropriate \$750,000 to the Town Highway Emergency Fund, to assist our local communities in the event of natural disasters that do not qualify for Federal Emergency Assistance.

	FY 2005	FY 2006	%
Paving	\$32.9 m	\$40.0 m	+21.6 %
Bridges	\$49.9 m	\$54.5 m	+9.0 %
Interstate/State Hwy	\$29.0 m	\$33.5 m	+15.5 %
Town Hwy Bridges	\$20.9 m	\$21.0 m	+0.1 %
Town Hwy (all)	\$54.7 m	\$55.5 m	+1.6 %

AOT is also restructuring its operations and administration functions with a goal of increasing efficiency and decreasing costs.

In this budget, as in prior budgets, the Governor will continue efforts to decrease reliance by other parts of state government on the Transportation Fund. The percentage of Transportation Fund resources diverted to non-transportation purposes (under the JTOC statute), which was 24.5% in FY 2001, has been reduced to 18.5% in the Governor's FY 2006 budget. Governor Douglas proposes further decreasing this burden on the Transportation Fund to 17.5% in FY 2007.

Fiscal Year 2005 Budget Adjustment Act
Governor's Recommendation
(\$ in Millions)

		General Fund	Transportation Fund	Special* Funds	Education Fund	Combined Funds
FY 2005 base appropriations		956.27	222.15	403.29	1,143.95	2,725.66
Recommended appropriation						
Tax	To send postcard reminders to homeowners who don't file a homestead declaration (HS-131) by March 1, 2005 (in advance of April 15 tax deadline).				0.03	0.03
Court Diversion	For professional liability and changed workers' compensation insurance as recommended by Attorney General's office and the Division of Risk Management.	0.03				0.03
State's Attorneys	To cover fee for Rutland parking garage.	0.01				0.01
Military	Increased support for the Survivors of Casualties in the War on Terrorism.	0.04				0.04
BISHCA	To correct for unintended additional funding of Health Care Ombudsman in FY05 appropriations bill.			(0.03)		(0.03)
Judiciary	Audit services and new office space rental.	0.07				0.07
Children and Family Services	To cover fee for Rutland parking garage.	0.05				0.05
Children and Family Services	To cover increase in average costs per case of substitute care.	2.36				2.36
Children and Family Services	To cover costs for an increase in caseload in subsidized adoptions.	0.23				0.23
Children and Family Services	To replace declining Federal receipts from Title 4-E (Foster Care Maintenance payments) related to decreasing 4-E eligibility rates.	1.65				1.65
Children and Family Services	To offset upward budgetary pressures with one-time excess federal receipts available from AHS fiscal year 2004 closeout.	(0.78)				(0.78)
Children and Family Services	To offset upward budgetary pressures in subsidized adoption with one-time Federal grant.	(0.15)				(0.15)
Children and Family Services	To provide additional state match required for the UVM Training Grant due to a decline in Federal Financial participation from 75% to 50%.	0.32				0.32
Children and Family Services	To cover costs for additional 124 Employment and Training (Fee Scale) slots (\$680,884); \$164 increase in average costs from \$5,327 to \$5,491 (\$806,388); increase in transportation (\$122,144).	1.61				1.61
Health	To cover fee for Rutland parking garage.	0.02				0.02
Health	The fiscal year 2005 budget assumed 50% lost Federal funding through September 2004. The Center for Medicare and Medicaid Services (CMS) agreed to restore funding as of 11/24/04. This results in two months of unfunded expenses.	0.66				0.66
Health	The fiscal year 2005 budget assumed 50% of Federal funding during the period of decertification would continue to be earned through emergency care billing. After budget development, there were significant restrictions instituted by CMS causing an impediment to bill at the level assumed in the FY 2005 budget. This represents the amount of shortfall relating to emergency care billing.	1.47				1.47
Health	Additional costs for enhanced psychiatric and clinical services, additional nursing staff and other operating needs.	0.40				0.40
Aging & Independent Living	To cover fee for Rutland parking garage.	0.02				0.02
Office of VT Health Access	To cover additional costs related to an increase in caseload.			3.31		3.31
Office of VT Health Access	To cover increase in average costs per case.			5.61		5.61
Office of VT Health Access	Other program costs: DSH - (\$85,161), Lund Home - \$24,996, Buy-in - \$982,120			0.36		0.36
Office of VT Health Access	Represents an increase in Long-term Care related costs (inflation increase and other cost adjustments).			1.02		1.02
Office of VT Health Access	Shift in funding due to Federal waiver not approved.			4.04		4.04
Office of VT Health Access	One-time startup costs related to a change in payroll services for attendant care workers.			0.90		0.90

Fiscal Year 2005 Budget Adjustment Act
Governor's Recommendation
(\$ in Millions)

		General Fund	Transportation Fund	Special* Funds	Education Fund	Combined Funds
Office of VT Health Access	Estimated costs related to 53rd week of provider billing and anticipated payments.			3.83		3.83
Fund Appropriations and Transfers (HATF)	General Fund transfer to Health Access Trust Fund (HATF) to support additional costs noted above.	19.07				19.07
Corrections	Costs related to rebid of Medical Services contract.	0.27				0.27
Corrections	Increase in inmate Medical Services contract.	1.00				1.00
Corrections	Increase in use of out-of-state beds of 5 a month from mid Nov.2004 through end of FY 2005. Also includes temporary use of out-of state beds due to St Albans facility renovations.	1.40				1.40
Employment & Training	To cover fee for Rutland parking garage.	0.02				0.02
Education	\$149,583 increase for student count correction and \$185,942 for Sec. 188 of Act 122 of 2004 (rapid growth in FTE's).				0.34	0.34
Education	Additional funds needed to meet program obligations.				0.80	0.80
Education	\$4,211,455 increase based upon final school budgets submitted by June 1. \$48,586 increase for low spending districts (16 VSA Sec. 4011(c)). \$11,832 increase in Vt Academy For Science and Technology (VAST) due to enrollment increase (35 to 37). \$32,708 decrease in ADP program due to enrollment decrease.				4.24	4.24
Education	Appropriated funds exceed program requirements. (Based on finalized data.)				(0.15)	(0.15)
Education	Appropriated funds exceed program requirements. (Based on finalized data.)				(0.11)	(0.11)
Tax	Eligible claims for income sensitivity benefits are exceeding estimates.				5.00	5.00
Fish & Wildlife	Funding to assist F&W with revenue shortfall due to decreasing license sales.	0.28				0.28
Forests, Parks & Recreation	Funding to assist with revenue shortfall due to decreasing State Park attendance.	0.36		(0.36)		0.00
Housing & Community Affairs	5% of the Downtown Transportation and Related Capital Improvement Fund to be available for administrative expenses.			0.04		0.04
Housing & Community Affairs	Funding to assist with revenue shortfall.	0.06				0.06
Economic Development	Grant to the Broadband Council.	0.02				0.02
Economic Development	Increased demand for workforce training.	0.30				0.30
Vermont Historical Society	Increased costs to support Barre and Montpelier locations.	0.07				0.07
AOT - Program Development	Reduce Hubbardton Causeway; insufficient budget for construction.		(0.30)			(0.30)
Town Highway Emergency Fund	Required to meet emergency needs.		0.36			0.36
Debt Service	Increase in appropriation to cover debt service: \$2,007,804 increase in GF will be covered by \$1,708,033 reserved in GF from premium earned on 2004 Series B General Obligation Bond issue, in accordance with 32 VSA Sec 954, plus GF freed up from Fall '04 bond swap. Also includes \$158,176 decrease in TF debt service.	2.01	(0.16)			1.85
Total adjustments		32.85	(0.10)	18.73	10.15	61.62
Total adjusted recommended FY 2005 appropriation		989.12	222.05	422.02	1,154.10	2,787.29

* Special funds Include Tobacco Settlement Funds

Note: Totals may not add due to rounding

General Fund Summary
Fiscal Years 2003 - 2007
(\$ in Millions)

	Actual FY 2003	Actual FY 2004	Governor Recommends FY 2005	Governor Recommends FY 2006	Forecast FY 2007
Sources					
Current law revenues	863.21	921.65	981.33	1,014.47	1,045.85
2003 Act 68 sales tax implementation	-	28.90	-	-	-
Employer healthcare tax credit	-	-	-	(2.00)	-
VEDA debt forgiveness	(1.90)	(1.34)	(2.00)	-	-
Direct applications, transfers in & reversions	18.13	17.30	15.24	7.64	7.50
Additional Property Transfer Tax to GF	2.66	5.88	12.83	9.53	5.63
Property transfer tax to HATF	-	-	-	(22.24)	(16.44)
For approp from GF Reserve	-	-	15.63	-	-
Total sources	882.10	972.39	1,023.03	1,007.40	1,042.54
Uses					
Base appropriations	873.70	898.03	950.53	998.52	1,041.87
FY2003/2004/2005 Budget Adjustment	8.12	9.22	32.85	-	-
Base appropriations post Budget Adjustment	881.82	907.25	983.38	998.52	1,041.87
One-time appropriations	2.01	26.13	-	-	-
Human Service Caseload Reserve- BAA approp	-	1.70	-	-	-
Federal Flexible Funding replacement	-	(50.00)	-	-	-
Enhanced Federal Financial Participation	-	(7.50)	-	-	-
Additional GF transfer to Ed Fund per 2003 Act 68	-	28.90	-	-	-
Pay Act	5.89	0.52	5.74	4.02	-
One-time waterfall and other adjustments	-	8.41	-	-	-
Total appropriations	889.72	915.41	989.12	1,002.54	1,041.87
Transfer to Human Services Caseload Reserve	(1.76)	-	-	-	-
Total uses	887.96	915.41	989.12	1,002.54	1,041.87
Subtotal operating surplus (deficit)	(5.86)	56.98	33.91	4.86	0.67
Allocation of surplus					
Transfers (to) / from other funds					
Transportation Fund	6.45	(4.47)	(1.60)	(1.17)	-
Tobacco settlement	9.20	-	-	-	-
General Bond Fund	0.16	(1.71)	1.71	-	-
Human Services Caseload Reserve	-	(3.00)	-	-	-
Health Access Trust Fund	-	(2.00)	(20.00)	-	-
Internal Service Funds	-	(10.01)	(6.32)	-	-
Capital Funds FY 2006	-	-	(4.00)	-	-
Assorted Funds	-	(0.93)	(2.42)	-	-
Total transfers (to) / from other funds	15.81	(22.12)	(32.63)	(1.17)	0.00
Reserved in GF (designated)					
Budget Stabilization Reserve	(15.10)	(20.93)	(1.28)	(3.69)	(0.67)
Human Services Caseload Reserve	0.81	1.70	-	-	-
Reserved in GF Surplus Reserve	4.34	(15.63)	-	-	-
Total reserved in the GF (designated)	(9.95)	(34.86)	(1.28)	(3.69)	(0.67)
Total allocated	5.86	(56.98)	(33.91)	(4.86)	(0.67)
Unallocated operating surplus (deficit)	(0.00)	(0.00)	0.00	0.00	0.00
Stabilization Reserve 5% statutory level	43.61	44.49	45.77	49.46	50.13
GF Reserves (cumulative)					
Budget Stabilization Reserve	23.56	44.49	45.77	49.46	50.13
Human Services Caseload Reserve	17.24	18.54	18.54	18.54	18.54
Reserved in GF Surplus Reserve	-	15.63	-	-	-
Total GF reserve balances	40.80	78.66	64.31	68.00	68.67

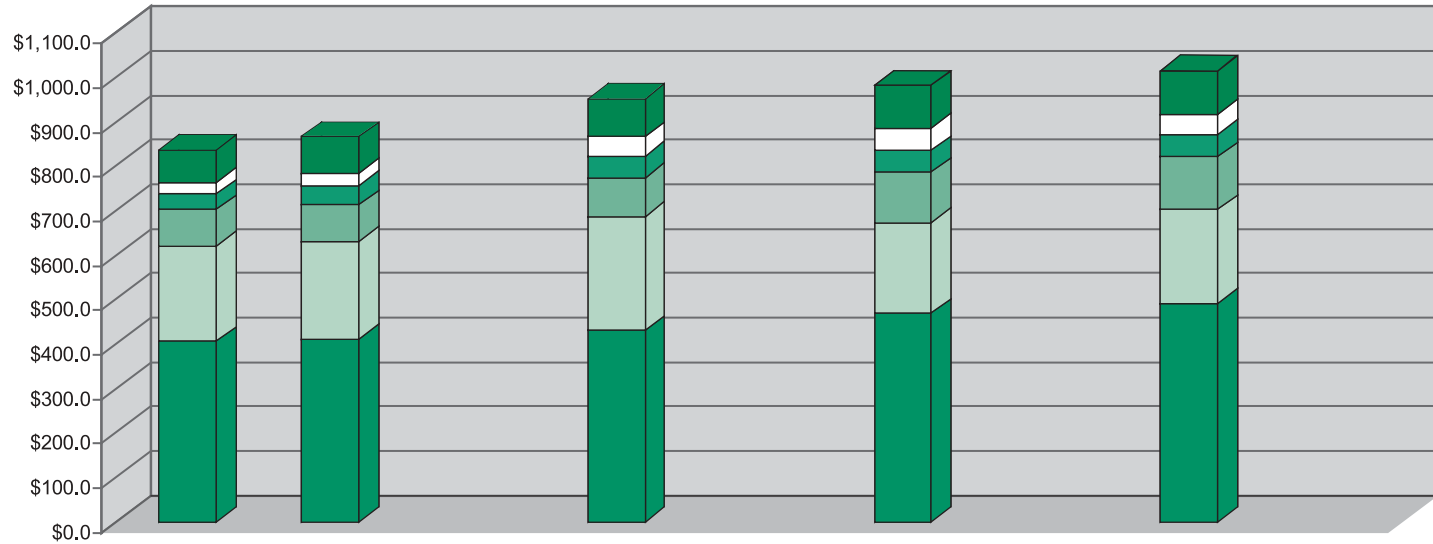
Transportation Fund Summary
Fiscal Years 2003 - 2007
(\$ in Millions)

	Actual FY 2003	Actual FY 2004	Governor Recommends FY 2005	Governor Recommends FY 2006	Forecast FY 2007
Sources					
Current law revenues	205.34	214.57	213.80	220.77	224.97
Direct applications & reversions	0.05	5.64	8.30	0.50	0.50
Federal reimbursements	8.59	3.91	-	-	-
Current year sources	213.98	224.12	222.09	221.27	225.47
For approp from TF Reserve	-	-	-	1.03	-
Prior year unallocated operating surplus	5.65	-	-	-	-
Total sources	219.63	224.12	222.09	222.30	225.47
Uses					
Base appropriations	211.20	221.03	220.70	219.65	221.65
Budget Adjustment	-	0.93	0.36	-	-
Excess Receipts	-	0.27	-	-	-
Rescission	(3.79)	-	-	-	-
Pay Act	3.34	-	1.46	-	-
Other	-	-	-	1.25	1.25
One-time approps from prior year	-	-	-	-	-
Total uses	210.75	222.24	222.51	220.90	222.90
Subtotal operating surplus (deficit)	8.88	1.89	(0.42)	1.40	2.57
Allocation of surplus					
Transfers (to) / from other funds					
General Fund	(6.45)	4.77	1.60	1.17	-
Downtown Fund	(0.80)	(0.80)	(0.80)	(0.80)	(0.80)
Central Garage Fund	(1.99)	(2.11)	(0.10)	(1.40)	(1.40)
FMS Development Fund	-	(1.56)	1.56	-	-
VT Recreational Trail Fund	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)
Total transfers (to) / from other funds	(9.61)	(0.06)	1.89	(1.40)	(2.57)
Reserved in the TF (designated)					
Bond Insurance Premium Reserve	-	(0.13)	0.13	-	-
Transportation FMS Development Fund	-	(0.31)	-	-	-
Budget Stabilization Reserve	0.73	(1.38)	(0.57)	-	-
Reserved in TF Surplus Reserve	-	-	(1.03)	-	-
Total reserved in the TF (designated)	0.73	(1.82)	(1.47)	-	-
Total allocated	(8.88)	(1.89)	0.42	(1.40)	(2.57)
Unallocated operating surplus(deficit)	-	-	-	-	-
Stabilization Reserve 5% Statutory Level	9.95	10.54	11.11	10.89	11.04
TF Reserves (cumulative)					
Bond Insurance Premium Reserve	-	0.13	-	-	-
Transportation FMS Development Fund	-	0.31	0.31	0.31	0.31
Budget Stabilization Reserve	9.16	10.54	11.11	11.11	11.11
Reserved in TF Surplus Reserve	-	-	1.03	-	-
Total TF reserve balance	9.16	10.98	12.45	11.42	11.42

Education Fund Summary
Fiscal Years 2003 - 2007
(\$ in Millions)

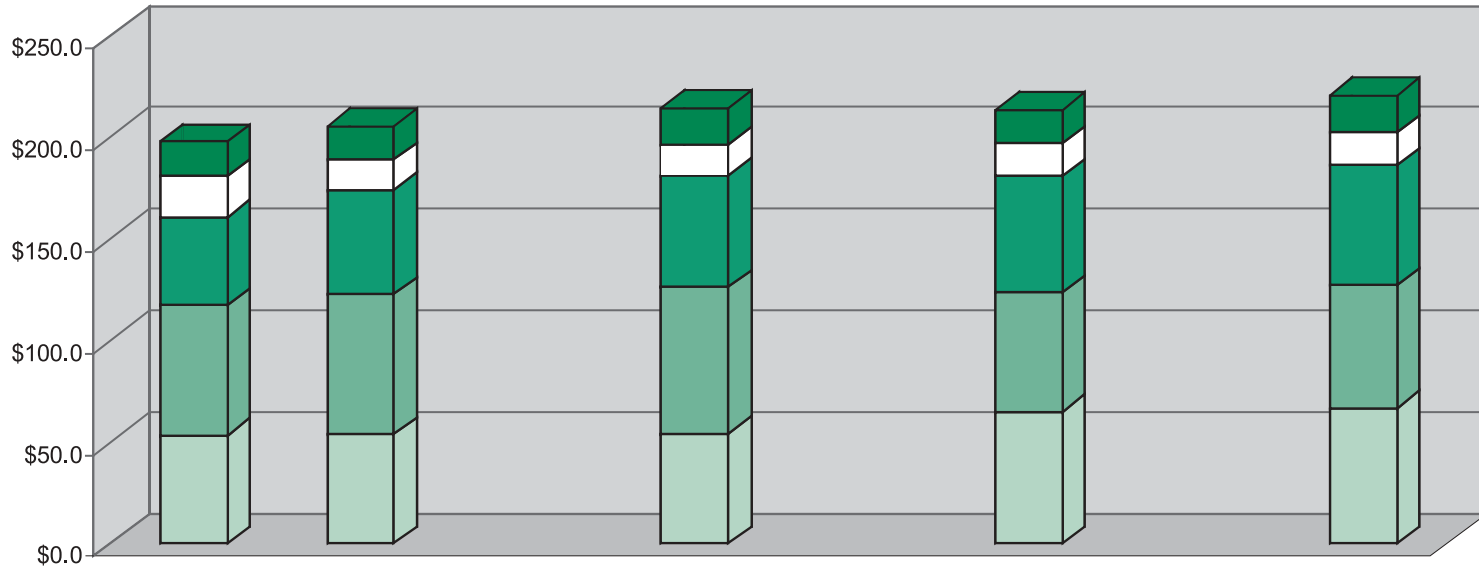
	Actual FY 2003	Actual FY 2004	Governor Recommends FY 2005	Governor Recommends FY 2006	Forecast FY 2007
Sources					
Current law revenues	70.66	79.41	31.17	32.23	33.23
Sales Tax (after FY04)	-	-	101.93	105.57	108.90
Lottery Revenue	15.53	20.30	19.40	19.10	18.80
Statewide Property Tax/Non-Resident after FY04	453.96	487.54	386.14	412.54	450.58
Local Share Property Tax/Residential after FY04	231.88	252.13	347.32	389.94	448.49
Cap on common level of appraisal decrease	-	-	-	(1.66)	(1.82)
General Fund Appropriations	245.68	268.40	249.30	259.30	269.67
Medicaid Reimbursement	8.28	8.63	8.20	8.20	8.20
Direct Applications/Reversions	4.73	-	1.58	-	-
Interest on Fund Balance	(0.31)	(0.32)	(0.20)	0.10	0.20
Total sources	1,030.41	1,116.09	1,144.84	1,225.32	1,336.25
Uses					
Base Appropriations	825.00	859.69	1,153.64	1,220.75	1,293.55
Local Share Payments	205.58	225.87	-	-	-
School Construction Assistance	3.19	2.13	0.46	0.45	0.30
Total uses	1,033.77	1,087.69	1,154.10	1,221.20	1,293.85
Subtotal operating surplus (deficit)	(3.36)	28.40	(9.26)	4.12	42.40
Allocation of surplus					
Transfer (to) / from other funds / reserves					
General Fund	-	-	-	-	-
Total transfers (to) / from other funds	0.00	0.00	0.00	0.00	0.00
Reserved in the EF (designated)	-	(1.87)	-	-	-
Budget Stabilization Reserve	3.36	(11.68)	(0.49)	(3.07)	(1.31)
Total reserved in the EF (designated)	3.36	(13.55)	(0.49)	(3.07)	(1.31)
Total allocated	3.36	(13.55)	(0.49)	(3.07)	(1.31)
Unallocated operating surplus (deficit)	0.00	14.85	5.10	6.15	47.24
EF Reserves (cumulative)					
Budget Stabilization Reserve	11.08	22.76	23.25	26.32	27.63
Total EF reserve balance	11.08	22.76	23.25	26.32	27.63

General Fund Revenues FY 2002 to 2006



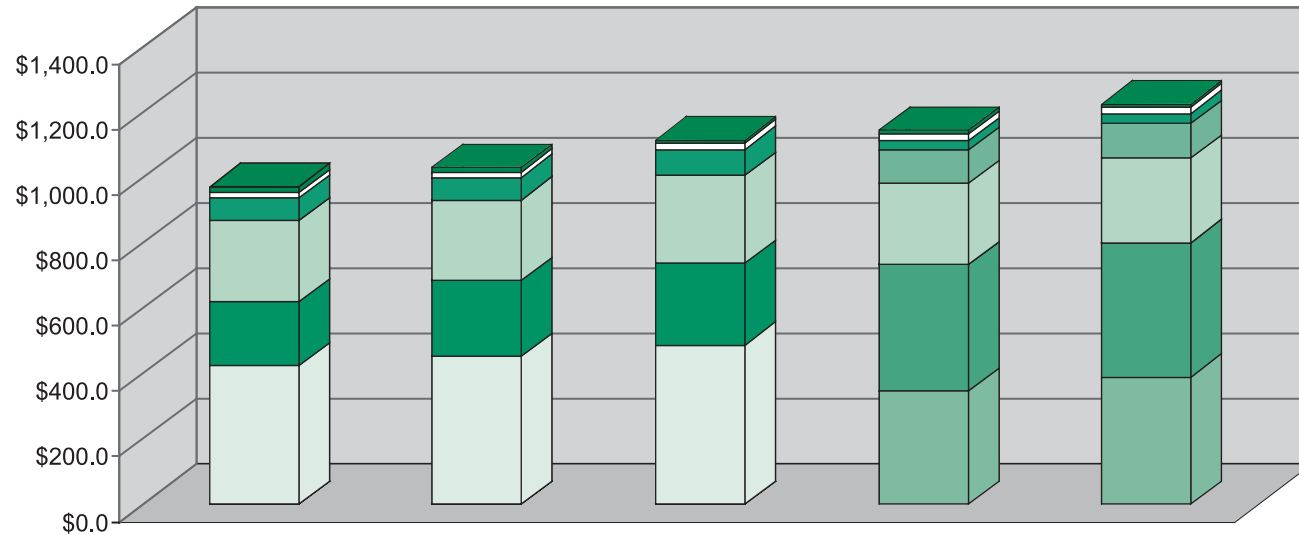
	FY 2002	FY 2003	% Change	FY 2004	% Change	FY 2005	% Change	FY 2006	% Change
(\$ in Millions)	actual	actual	2002-2003	actual	2003-2004	projected	2004-2005	projected	2005-2006
Other	\$74.9	\$81.9	9.3%	\$84.4	3.1%	\$96.6	14.5%	\$98.1	1.6%
Corporate	\$25.9	\$28.6	10.5%	\$45.1	57.6%	\$50.4	11.8%	\$45.6	-9.5%
Insurance	\$34.9	\$42.5	21.7%	\$47.0	10.7%	\$49.7	5.7%	\$51.3	3.2%
Meals and Rooms	\$81.1	\$83.1	2.5%	\$88.4	6.4%	\$112.6	27.4%	\$117.1	4.0%
Sales and Use Taxes	\$214.8	\$218.6	1.8%	\$255.8	17.0%	\$203.9	-20.3%	\$211.1	3.6%
Personal Income Tax	\$405.1	\$411.2	1.5%	\$429.8	4.5%	\$468.1	8.9%	\$491.2	4.9%
Total	\$836.7	\$865.9	3.5%	\$950.6	9.8%	\$981.3	3.2%	\$1,014.5	3.4%

Transportation Fund Revenues FY 2002 to 2006



(\$ in Millions)	FY 2002 actual	FY 2003 actual	% Change 2002-2003	FY 2004 actual	% Change 2003-2004	FY 2005 projected	% Change 2004-2005	FY 2006 projected	% Change 2005-2006
Diesel Fuel Tax	\$16.8	\$16.4	-2.4%	\$18.0	9.8%	\$16.8	-6.7%	\$18.1	7.7%
Other Revenues	\$20.4	\$14.7	-27.9%	\$15.2	3.3%	\$15.8	4.1%	\$16.2	2.5%
Motor Vehicle Fees	\$43.5	\$51.6	18.6%	\$55.2	6.9%	\$57.4	4.0%	\$59.1	3.0%
Purchase & Use Tax	\$63.9	\$68.7	7.5%	\$71.9	4.7%	\$58.5	-18.6%	\$60.7	3.6%
Gasoline Tax	\$53.3	\$54.0	1.3%	\$54.3	0.5%	\$65.2	20.2%	\$66.7	2.3%
Total	\$197.9	\$205.4	3.8%	\$214.6	4.5%	\$213.7	-0.4%	\$220.8	3.3%

Education Fund Revenues FY 2002 to 2006

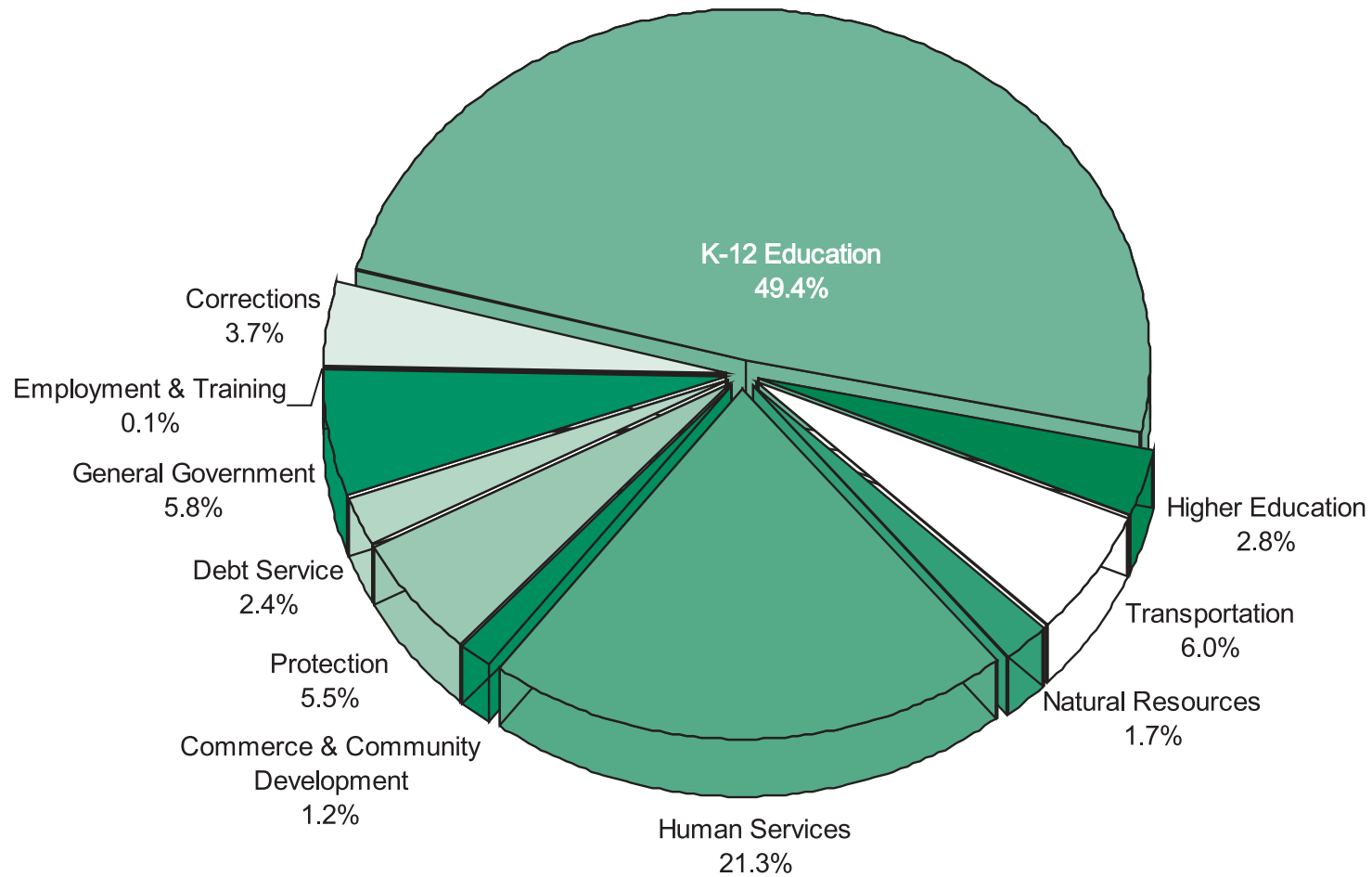


(\$ in Millions)	FY 2002 actual	FY 2003 actual	% Change 2002-2003	FY 2004 Actual	% Change 2003-2004	FY 2005 projected	% Change 2004-2005	FY 2006 projected	% Change 2005-2006
Other	\$18.0	\$13.8	-23.5%	\$9.4	-31.6%	\$11.5	22.0%	\$8.5	-25.6%
Lottery Revenue	\$16.6	\$15.5	-6.4%	\$20.3	30.7%	\$19.4	-4.4%	\$19.1	-1.5%
Act 60 Splinter Taxes	\$69.8	\$70.6	1.1%	\$78.3	10.9%	\$29.3	-62.6%	\$30.3	3.6%
Sales Tax (after '04)	-	-	-	-	-	\$101.9	-	\$105.6	3.6%
General Fund Approp.**	\$246.4	\$245.7	-0.3%	\$268.4	9.2%	\$249.3	-7.1%	\$259.3	4.0%
Local Share Prop Tax	\$197.4	\$231.9	17.5%	\$252.1	8.7%	-	-	-	-
Statewide Prop Tax	\$424.2	\$454.0	7.0%	\$487.5	7.4%	-	-	-	-
NonRes Property Tax*	-	-	-	-	-	\$386.1	-	\$412.5	6.8%
Resident Property Tax*	-	-	-	-	-	\$347.3	-	\$389.9	12.3%
Total	\$972.3	\$1,031.4	6.1%	\$1,116.1	8.2%	\$1,144.8	2.6%	\$1,225.3	7.0%

* FY05 revenue estimates account for the Governor's recommendation to reduce property tax rates by 3 cents.

** FY04 General Fund Revenue includes a one-time additional appropriation of \$28.9 million dollars.

FY2006 Appropriations
General, Transportation, and Special Funds Including Tobacco,
& Education Fund



FISCAL YEAR 2006 COMBINED BUDGET RECOMMENDATIONS

General, Transportation and Special Funds

FISCAL YEAR 2006

Agency/Department/Program	FY 2006 Gov Recommend GF	FY 2006 Gov Recommend TF	FY 2006 Gov Recommend Tobacco & SF	FY 2006 Gov Recommend GF,TF,SF,Tob	FY 2005 Gov Rec BAA GF,TF,SF,Tob	FY 05 - 06 % Change
GENERAL GOVERNMENT						
Agency of Administration:						
Secretary of Administration	395,821	50,102	0	445,923	431,502	3.3%
Finance & Management	816,881	111,313	0	928,194	882,742	5.1%
Human Resources	1,989,210	547,486	235,000	2,771,696	2,513,861	10.3%
Buildings and General Services	3,984,617	5,356,748	311,260	9,652,625	8,779,161	9.9%
Tax	13,167,874	213,601	600,000	13,981,475	13,437,714	4.0%
Libraries	2,328,186	0	227,820	2,556,006	2,527,481	1.1%
Total Agency of Administration	22,682,589	6,279,250	1,374,080	30,335,919	28,572,461	6.2%
GIS	0	0	376,992	376,992	376,992	0.0%
Auditor of Accounts	468,742	59,317	54,455	582,514	565,323	3.0%
State Treasurer	887,580	104,035	1,475,133	2,466,748	2,315,176	6.5%
Labor Relations Board	187,100	4,597	5,870	197,567	182,127	8.5%
Executive Office	1,262,728	157,483	3,185	1,423,396	1,357,809	4.8%
VOSHA Review Board	20,097	0	0	20,097	20,097	0.0%
Use Tax Reimbursement	4,569,542	2,328,913	0	6,898,455	6,199,670	11.3%
Property Tax Assistance	6,818,056	3,548,220	0	10,366,276	8,800,000	17.8%
Lt. Governor	117,089	19,283	0	136,372	134,647	1.3%
Legislature	4,414,316	702,605	0	5,116,921	4,632,314	10.5%
Legislative Council	2,082,114	233,783	0	2,315,897	2,206,401	5.0%
Sergeant at Arms	466,681	40,735	0	507,416	496,816	2.1%
Joint Fiscal Office	882,901	135,472	0	1,018,373	966,184	5.4%
PILOT/Montpelier Services	784,000	0	1,900,000	2,684,000	2,684,000	0.0%
Corrections PILOT	40,000	0	0	40,000	40,000	0.0%
TOTAL GENERAL GOVERNMENT	45,683,535	13,613,693	5,189,715	64,486,943	59,550,017	8.3%
PROTECTION TO PERSONS AND PROPERTY						
Attorney General	2,822,155	69,615	1,402,209	4,293,979	3,924,391	9.4%
Court Diversion	956,093	143,978	400,000	1,500,071	1,500,071	0.0%
State's Attorneys	6,771,903	369,310	146,375	7,287,588	7,090,607	2.8%
Center for Crime Victim Services	973,644	0	3,541,155	4,514,799	4,363,878	3.5%
Sheriffs	2,439,576	570,239	0	3,009,815	2,853,048	5.5%
Defender General	7,579,359	734,468	602,502	8,916,329	8,618,239	3.5%
Military	2,954,602	0	0	2,954,602	2,950,631	0.1%
Labor & Industry	836,000	0	2,254,281	3,090,281	5,888,737	-47.5%

FISCAL YEAR 2006 COMBINED BUDGET RECOMMENDATIONS

General, Transportation and Special Funds

FISCAL YEAR 2006

Agency/Department/Program	FY 2006 Gov Recommend GF	FY 2006 Gov Recommend TF	FY 2006 Gov Recommend Tobacco & SF	FY 2006 Gov Recommend GF,TF,SF,Tob	FY 2005 Gov Rec BAA GF,TF,SF,Tob	FY 05 - 06 % Change
Criminal Justice Training Council	902,574	281,919	500,435	1,684,928	1,391,759	21.1%
Liquor Control	0	0	289,768	289,768	290,000	-0.1%
Racing Commission	5,000	0	0	5,000	5,000	0.0%
Secretary of State	583,525	0	3,631,422	4,214,947	4,471,317	-5.7%
BISHCA	469,832	0	12,907,826	13,377,658	12,258,173	9.1%
Public Safety	20,261,722	22,701,328	9,714,039	52,677,089	45,975,812	14.6%
Agriculture	5,309,593	38,862	6,590,879	11,939,334	10,879,927	9.7%
Public Service Department	0	0	4,726,250	4,726,250	4,610,976	2.5%
Enhanced 911 Board	0	0	2,417,588	2,417,588	2,417,588	0.0%
Public Service Board	0	0	2,690,294	2,690,294	2,624,677	2.5%
Judiciary	24,646,705	3,028,595	662,500	28,337,800	26,868,195	5.5%
Human Rights Commission	278,014	0	0	278,014	273,226	1.8%
Fire Service Training Council	0	0	0	0	983,701	-100.0% (1)
TOTAL PROTECTION	77,790,297	27,938,314	52,477,523	158,206,134	150,239,953	5.3%
HUMAN SERVICES						
Agency of Human Services:						
AHS - Secretary's Office	4,344,860	0	1,375,845	5,720,705	5,248,081	9.0%
Human Services Board	129,693	0	0	129,693	121,082	7.1%
Corrections	103,059,847	1,153,658	1,629,198	105,842,703	102,270,013	3.5%
Health	64,115,288	0	17,992,690	82,107,978	77,231,076	6.3%
Office of Vt Health Access (OVHA)	0	0	247,703,403	247,703,403	248,797,665	-0.4%
Approp to Health Access Trust Fund	56,905,572	0	17,250,000	74,155,572	105,389,252	-29.6% (2)
Department for Children and Families	104,170,397	60,732	23,178,957	127,410,086	121,698,478	4.7%
Aging and Independent Living	60,399,406	422,692	2,702,680	63,524,778	58,851,264	7.9%
Total Agency of Human Services	393,125,063	1,637,082	311,832,773	706,594,918	719,606,911	-1.8%
Children's Trust Fund	100,651	0	70,000	170,651	170,651	0.0%
Commission on Women	250,421	0	5,000	255,421	236,777	7.9%
RSVP	131,096	0	0	131,096	131,096	0.0%
Veterans' Home	952,495	0	10,239,126	11,191,621	9,824,564	13.9%
TOTAL HUMAN SERVICES	394,559,726	1,637,082	322,146,899	718,343,707	729,969,999	-1.6%
EMPLOYMENT & TRAINING	1,395,248	0	266,000	1,661,248	1,269,541	30.9%

(1) Fire Service Training Council transferred to Department of Public Safety.

(2) Net increase of \$10.1 in Medicaid support in Governor's base budget (1/06 vs. 1/05). Decrease exacerbated by unusually large FY 2005 BAA appropriation and offset by proposal to redirect GF share of property transfer tax to HATF in FY 2006 (\$22.2 million) and beyond.

FISCAL YEAR 2006 COMBINED BUDGET RECOMMENDATIONS

General, Transportation and Special Funds

FISCAL YEAR 2006

Agency/Department/Program	FY 2006 Gov Recommend GF	FY 2006 Gov Recommend TF	FY 2006 Gov Recommend Tobacco & SF	FY 2006 Gov Recommend GF,TF,SF,Tob	FY 2005 Gov Rec BAA GF,TF,SF,Tob	FY 05 - 06 % Change
GENERAL EDUCATION						
Department of Education	12,958,155	524,846	2,154,926	15,637,927	16,172,896	-3.3%
GF Appropriation to Education Fund	259,300,000	0	0	259,300,000	249,300,000	4.0%
Teachers' Retirement	24,446,282	0	0	24,446,282	20,446,282	19.6%
TOTAL GENERAL EDUCATION	296,704,437	524,846	2,154,926	299,384,209	285,919,178	4.7%
HIGHER EDUCATION AND OTHER						
University of Vermont	39,080,787	0	0	39,080,787	37,942,512	3.0%
Vermont Public Television	573,832	0	0	573,832	563,832	1.8%
Vermont State Colleges	23,409,358	0	0	23,409,358	22,488,403	4.1% (1)
Vermont Interactive TV	805,331	0	0	805,331	795,331	1.3%
Vermont Student Assistance Corp.	17,682,637	0	0	17,682,637	17,167,609	3.0%
N.E. Higher Education Compact	80,000	0	0	80,000	88,840	-10.0%
TOTAL HIGHER EDUCATION AND OTHER	81,631,945	0	0	81,631,945	79,046,527	3.3%
TOTAL EDUCATION	378,336,382	524,846	2,154,926	381,016,154	364,965,705	4.4%
NATURAL RESOURCES						
Agency of Natural Resources:						
ANR - Central Office	5,436,273	212,816	1,052,700	6,701,789	4,893,450	37.0%
Environmental Conservation	8,519,688	185,182	15,531,446	24,236,316	20,873,398	16.1%
Fish & Wildlife	1,711,853	367,926	0	2,079,779	1,896,009	9.7%
Forests, Parks & Recreation	5,515,064	508,558	7,992,790	14,016,412	14,129,565	-0.8% (2)
Total Agency of Natural Resources	21,182,878	1,274,482	24,576,936	47,034,296	41,792,422	12.5%
Natural Resources Board	1,065,127	0	1,649,217	2,714,344	2,846,685	-4.6%
TOTAL NATURAL RESOURCES	22,248,005	1,274,482	26,226,153	49,748,640	44,639,107	11.4%

(1) The increased appropriation for the state colleges includes 3% plus support for the newly incorporated dental hygiene program.

(2) Reflects reduced spending due to lower Park Special Fund revenue.

FISCAL YEAR 2006 COMBINED BUDGET RECOMMENDATIONS

General, Transportation and Special Funds

FISCAL YEAR 2006

Agency/Department/Program	FY 2006 Gov Recommend GF	FY 2006 Gov Recommend TF	FY 2006 Gov Recommend Tobacco & SF	FY 2006 Gov Recommend GF,TF,SF,Tob	FY 2005 Gov Rec BAA GF,TF,SF,Tob	FY 05 - 06 % Change
COMMERCE & COMMUNITY DEVELOPMENT						
Agency of Commerce & Comm Development:						
ACCD - Administration	1,847,819	0	0	1,847,819	1,874,906	-1.4% (1)
Housing & Community Affairs	2,010,540	0	4,733,237	6,743,777	6,795,645	-0.8%
Econ Development	5,434,884	0	490,000	5,924,884	5,395,103	9.8%
Tourism & Marketing	4,709,458	0	0	4,709,458	4,678,637	0.7%
Total Agency of Commerce & Comm Development	14,002,701	0	5,223,237	19,225,938	18,744,291	2.6%
Council on the Arts	494,618	0	0	494,618	519,618	-4.8% (2)
Vermont Symphony Orchestra	101,960	0	0	101,960	101,960	0.0%
VT Historical Society	630,653	0	0	630,653	597,660	5.5%
Housing & Conservation Trust	0	0	13,521,246	13,521,246	13,613,246	-0.7%
VT Humanities Council	160,599	0	0	160,599	150,599	6.6%
TOTAL COMMERCE & COMMUNITY DEV.	15,390,531	0	18,744,483	34,135,014	33,727,374	1.2%
DEBT SERVICE	63,115,116	2,111,302	2,383,260	67,609,678	67,331,459	0.4%
TRANSPORTATION						
Agency of Transportation:						
AOT Division Appropriations and Programs	0	111,606,292	0	111,606,292	114,677,752	-2.7%
AOT Dept. of Motor Vehicles	0	22,286,370	0	22,286,370	19,117,258	16.6%
AOT Town Highway Programs	0	38,497,072	1	38,497,073	40,419,752	-4.8% (3)
Total Agency of Transportation	0	172,389,734	1	172,389,735	174,214,762	-1.0%
Trans Bd & MV Arbitration Bd	0	83,400	0	83,400	78,400	6.4%
TOTAL TRANSPORTATION	0	172,473,134	1	172,473,135	174,293,162	-1.0%
OTHER (Includes Pay Act and One-Time Appropriations)	4,019,782	1,327,477	0	5,347,259	7,202,499	-25.8%
APPROPRIATION TOTAL	1,002,538,622	220,900,330	429,588,960	1,653,027,912	1,633,188,816	1.2%

(1) Reflects the move of the Vermont Economic Progress Council (VEPC) budget from ACCD Administration to the Dept. of Economic Development.

(2) Reflects the non-continuation of FY 2005 one-time appropriation.

(3) Due to the effective utilization of Federal Funds, total Town Highway program support increases by +1.6% despite the decline in state funds of -4.8%.

COMBINED FUND APPROPRIATION HISTORY

General, Transportation and Special Funds

FY 2002 - FY 2006

Agency/Department/Program	FY 2002 Final Appropriation	FY 2003 Final Appropriation	FY 2004 Final Appropriation	FY 2005 Recommended Appropriation	FY 2006 Recommended Appropriation	Four Year Trend: Average Annual Change
GENERAL GOVERNMENT						
Agency of Administration:						
Secretary of Administration	437,820	449,863	433,212	431,502	445,923	0.5%
Finance & Management	1,892,441	744,834	929,223	882,742	928,194	-16.3%
Human Resources	2,766,799	2,503,262	2,503,619	2,513,861	2,771,696	0.0%
Buildings and General Services	19,060,787	9,134,046	8,954,094	8,779,161	9,652,625	-15.6%
Tax	12,716,607	12,367,552	13,213,139	13,437,714	13,981,475	2.4%
Libraries	2,007,233	2,279,150	2,509,490	2,527,481	2,556,006	6.2%
Total Agency of Administration	38,881,687	27,478,707	28,542,777	28,572,461	30,335,919	-6.0%
GIS	376,992	370,360	376,992	376,992	376,992	0.0%
Auditor of Accounts	562,774	587,686	570,481	565,323	582,514	0.9%
State Treasurer	17,055,004	17,633,930	2,527,017	2,315,176	2,466,748	-38.3%
Labor Relations Board	171,033	180,188	179,818	182,127	197,567	3.7%
Executive Office	1,237,218	1,323,137	1,345,371	1,357,809	1,423,396	3.6%
Governor-elect	0	30,000	0	0	0	
VOSHA Review Board	18,709	18,654	20,150	20,097	20,097	1.8%
Use Tax Reimbursement	4,685,837	5,100,000	5,700,000	6,199,670	6,898,455	10.2%
Property Tax Assistance	8,500,000	10,342,000	11,469,706	8,800,000	10,366,276	5.1%
Lt. Governor	109,835	114,671	118,551	134,647	136,372	5.6%
Legislature	5,009,806	5,343,065	4,952,270	4,632,314	5,116,921	0.5%
Legislative Council	1,629,375	1,722,791	1,842,400	2,206,401	2,315,897	9.2%
Sergeant at Arms	364,778	368,900	444,845	496,816	507,416	8.6%
Joint Fiscal Office	799,058	971,826	955,220	966,184	1,018,373	6.3%
PILOT/Montpelier Services	834,000	2,434,000	2,434,000	2,684,000	2,684,000	33.9%
Corrections PILOT	40,000	40,000	40,000	40,000	40,000	0.0%
TOTAL GENERAL GOVERNMENT	80,276,106	74,059,915	61,519,598	59,550,017	64,486,943	-5.3%
PROTECTION TO PERSONS AND PROPERTY						
Attorney General	3,375,379	3,460,387	3,865,372	3,924,391	4,293,979	6.2%
Court Diversion	1,022,034	1,104,555	1,389,041	1,500,071	1,500,071	10.1%
State's Attorneys	5,955,502	6,259,451	6,750,366	7,090,607	7,287,588	5.2%
Center for Crime Victim Services	1,827,511	1,874,225	2,009,595	4,363,878	4,514,799	25.4%
Sheriffs	2,528,274	2,639,303	2,689,580	2,853,048	3,009,815	4.5%
Defender General	7,340,563	7,477,520	7,820,545	8,618,239	8,916,329	5.0%
Military	2,867,267	2,908,772	2,829,536	2,950,631	2,954,602	0.8%
Labor & Industry	4,750,794	5,350,627	5,621,790	5,888,737	3,090,281	-10.2%

COMBINED FUND APPROPRIATION HISTORY

General, Transportation and Special Funds

FY 2002 - FY 2006

Agency/Department/Program	FY 2002 Final Appropriation	FY 2003 Final Appropriation	FY 2004 Final Appropriation	FY 2005 Recommended Appropriation	FY 2006 Recommended Appropriation	Four Year Trend: Average Annual Change
Criminal Justice Training Council	936,293	1,249,707	1,367,160	1,391,759	1,684,928	15.8%
Liquor Control	309,000	318,973	318,973	290,000	289,768	-1.6%
Racing Commission	6,530	2,001	5,000	5,000	5,000	-6.5%
Secretary of State	3,191,340	3,854,500	3,995,755	4,471,317	4,214,947	7.2%
Medical Practice Board	622,773	0	0	0	0	-100.0%
BISHCA	10,313,823	10,639,191	11,054,107	12,258,173	13,377,658	6.7%
Public Safety	35,428,508	39,514,876	43,848,888	45,975,812	52,677,089	10.4%
Agriculture	5,351,436	5,739,217	6,059,536	10,879,927	11,939,334	22.2%
Public Service Department	4,239,531	4,286,106	4,459,443	4,610,976	4,726,250	2.8%
Enhanced 911 Board	2,358,486	2,390,368	2,417,588	2,417,588	2,417,588	0.6%
Public Service Board	2,448,763	2,484,447	2,532,516	2,624,677	2,690,294	2.4%
Judiciary	20,965,161	24,035,409	25,743,890	26,868,195	28,337,800	7.8%
Human Rights Commission	246,585	257,485	242,908	273,226	278,014	3.0%
Vt Radiological Emergency	400,000	800,000	0	0	0	-100.0%
Fire Service Training Council	593,051	929,497	924,142	983,701	0	-100.0%
TOTAL PROTECTION	117,078,604	127,576,617	135,945,731	150,239,953	158,206,134	7.8%
HUMAN SERVICES						
Agency of Human Services:						
AHS - Secretary's Office	4,057,940	5,156,245	6,236,669	5,248,081	5,720,705	9.0%
Human Services Board	89,718	98,500	121,879	121,082	129,693	9.7%
Corrections	75,468,376	80,320,660	41,090,085	102,270,013	105,842,703	8.8%
Health	26,453,377	27,066,989	26,688,150	77,231,076	82,107,978	32.7%
PATH	217,194,846	225,373,150	242,852,108	0	0	-100.0%
Office of Health Access (OVHA)	0	0	0	248,797,665	247,703,403	
Approp to Health Access Trust Fund	0	85,262,910	91,800,857	105,389,252	74,155,572	
State Economic Opportunity Office	5,353,899	5,703,286	6,074,122	0	0	-100.0%
Office of Child Support	1,386,680	1,540,550	1,568,989	0	0	-100.0%
Social & Rehabilitation Services	35,440,772	40,578,630	46,940,218	0	0	-100.0%
Department for Children and Families	0	0	0	121,698,478	127,410,086	
Developmental & MH Services	62,775,991	68,634,322	70,674,206	0	0	-100.0%
Aging and Disabilities	15,017,373	16,762,876	17,248,060	0	0	-100.0%
Aging and Independent Living	0	0	0	58,851,264	63,524,778	
Total Agency of Human Services	443,238,972	556,498,118	551,295,343	719,606,911	706,594,918	12.4%

COMBINED FUND APPROPRIATION HISTORY

General, Transportation and Special Funds

FY 2002 - FY 2006

Agency/Department/Program	FY 2002 Final Appropriation	FY 2003 Final Appropriation	FY 2004 Final Appropriation	FY 2005 Recommended Appropriation	FY 2006 Recommended Appropriation	Four Year Trend: Average Annual Change
Independence Fund	1	0	0	0	0	-100.0%
Children's Trust Fund	196,156	192,705	152,705	170,651	170,651	-3.4%
Commission on Women	204,912	235,386	239,151	236,777	255,421	5.7%
RSVP	132,400	130,071	123,567	131,096	131,096	-0.2%
Disabled and Needy Veterans	31,565	37,025	0	0	0	-100.0%
Veterans' Home	8,653,075	8,937,694	8,442,048	9,824,564	11,191,621	6.6%
Association for the Blind	24,885	24,447	24,447	0	0	-100.0%
TOTAL HUMAN SERVICES	452,481,966	566,055,446	560,277,261	729,969,999	718,343,707	12.2%
EMPLOYMENT & TRAINING	911,260	797,624	1,267,259	1,269,541	1,661,248	16.2%
GENERAL EDUCATION						
Department of Education	15,750,726	16,659,213	16,384,121	16,172,896	15,637,927	-0.2%
GF Appropriation to Education Fund	246,363,322	245,705,935	268,400,000	249,300,000	259,300,000	1.3%
Teachers' Retirement	29,387,445	30,653,682	20,446,282	20,446,282	24,446,282	-4.5%
TOTAL GENERAL EDUCATION	291,501,493	293,018,830	305,230,403	285,919,178	299,384,209	0.7%
HIGHER EDUCATION AND OTHER						
University of Vermont	34,182,131	36,202,911	36,927,057	37,942,512	39,080,787	3.4%
Vermont Public Television	604,136	593,507	563,832	563,832	573,832	-1.3%
Vermont State Colleges	20,176,860	21,361,961	22,068,900	22,488,403	23,409,358	3.8%
Vermont Interactive TV	840,507	836,775	795,331	795,331	805,331	-1.1%
Vermont Student Assistance Corp.	15,445,766	16,581,671	16,683,804	17,167,609	17,682,637	3.4%
N.E. Higher Education Compact	76,642	75,294	88,840	88,840	80,000	1.1%
Education Commission of the States	39,600	100	0	0	0	-100.0%
TOTAL HIGHER EDUCATION AND OTHER	71,365,642	75,652,219	77,127,764	79,046,527	81,631,945	3.4%
TOTAL EDUCATION	362,867,135	368,671,049	382,358,167	364,965,705	381,016,154	1.2%
NATURAL RESOURCES						
Agency of Natural Resources:						
ANR - Central Office	4,019,814	4,251,035	4,397,287	4,893,450	6,701,789	13.6%
Environmental Conservation	16,487,208	19,337,861	19,724,976	20,873,398	24,236,316	10.1%
Fish & Wildlife	0	0	0	1,896,009	2,079,779	
Forests, Parks & Recreation	12,269,604	12,994,485	13,234,350	14,129,565	14,016,412	3.4%
Total Agency of Natural Resources	32,776,626	36,583,381	37,356,613	41,792,422	47,034,296	9.4%

COMBINED FUND APPROPRIATION HISTORY

General, Transportation and Special Funds

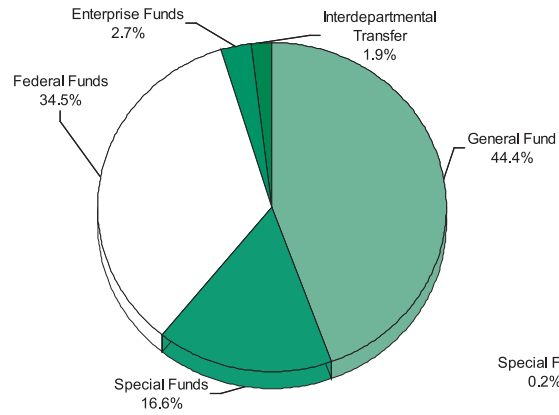
FY 2002 - FY 2006

Agency/Department/Program	FY 2002 Final Appropriation	FY 2003 Final Appropriation	FY 2004 Final Appropriation	FY 2005 Recommended Appropriation	FY 2006 Recommended Appropriation	Four Year Trend: Average Annual Change
Environmental Board	2,316,130	2,381,046	2,505,104	0	0	-100.0%
Natural Resources Board	0	0	0	2,846,685	2,714,344	
Water Resources Board	314,679	318,178	315,745	0	0	-100.0%
TOTAL NATURAL RESOURCES	35,407,435	39,282,605	40,177,462	44,639,107	49,748,640	8.9%
COMMERCE & COMMUNITY DEVELOPMENT						
Agency of Commerce & Comm Development:						
ACCD - Administration	1,344,475	1,683,210	1,852,465	1,874,906	1,847,819	8.3%
Housing & Community Affairs	6,324,570	6,606,572	6,686,295	6,795,645	6,743,777	1.6%
Econ Development	3,396,423	3,732,412	4,412,474	5,395,103	5,924,884	14.9%
Tourism & Marketing	4,682,757	4,806,462	4,957,085	4,678,637	4,709,458	0.1%
Total Agency of Commerce & Comm Development	15,748,225	16,828,656	17,908,319	18,744,291	19,225,938	5.1%
VEDA	263,088	0	0	0	0	-100.0%
Council on the Arts	517,206	517,206	491,618	519,618	494,618	-1.1%
Vermont Symphony Orchestra	107,326	107,326	101,960	101,960	101,960	-1.3%
VT Historical Society	256,781	405,830	629,874	597,660	630,653	25.2%
Housing & Conservation Trust	11,605,212	12,018,000	13,534,000	13,613,246	13,521,246	3.9%
VT Humanities Council	139,935	137,473	130,599	150,599	160,599	3.5%
TOTAL COMMERCE & COMMUNITY DEV.	28,637,773	30,014,491	32,796,370	33,727,374	34,135,014	4.5%
DEBT SERVICE	69,258,600	74,280,858	70,152,851	67,331,459	67,609,678	-0.6%
TRANSPORTATION						
Agency of Transportation:						
AOT Division Appropriations and Programs	105,399,895	100,467,399	109,800,381	114,677,752	111,606,292	1.4%
AOT Dept. of Motor Vehicles	15,400,000	16,434,068	17,235,903	19,117,258	22,286,370	9.7%
AOT Town Highway Programs	36,115,751	36,894,889	37,296,666	40,419,752	38,497,073	1.6%
Total Agency of Transportation	156,915,646	153,796,356	164,332,950	174,214,762	172,389,735	2.4%
Trans Bd & MV Arbitration Bd	80,000	74,762	130,000	78,400	83,400	1.0%
VT Transportation Authority	490,989	521,259	6,000	0	0	-100.0%
TOTAL TRANSPORTATION	157,486,635	154,392,377	164,468,950	174,293,162	172,473,135	2.3%
OTHER (Includes Pay Act and One-Time Appropriations)	17,796,549	16,692,075	36,922,986	7,202,499	5,347,259	-26.0%
APPROPRIATION TOTAL	1,322,202,063	1,451,823,057	1,485,886,635	1,633,188,816	1,653,027,912	5.7%

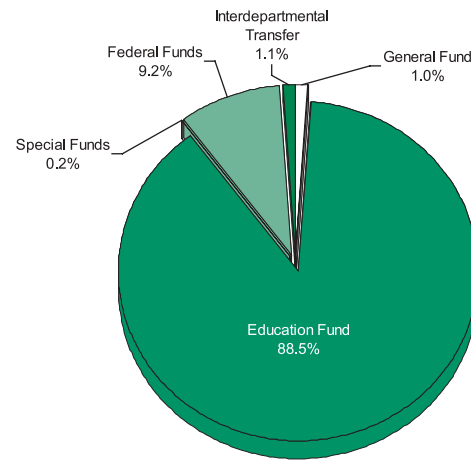
State Funds—Federal Funds Comparison

The following charts profile the amount of federal funds as part of the total funding available to major governmental functions. They demonstrate the dependence of important state functions on federal funds. From FY 1999 through FY 2005, federal funding support to Vermont State government has increased from approximately \$701.7 million to \$1,098.0 million—an increase of +56%. Much of this growth occurred in Medicaid funded programs in the Agency of Human Services.

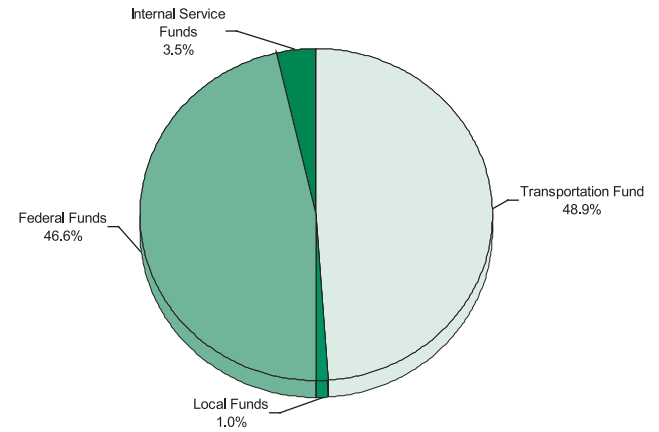
Agency of Commerce and Community Development



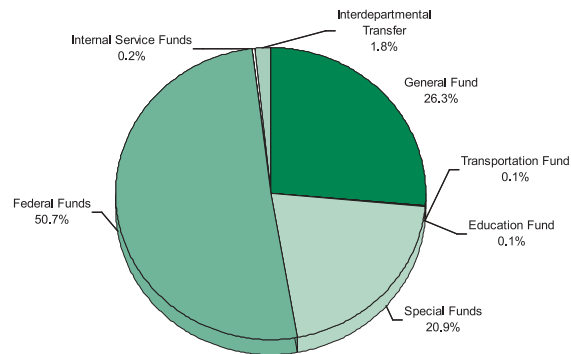
Department of Education



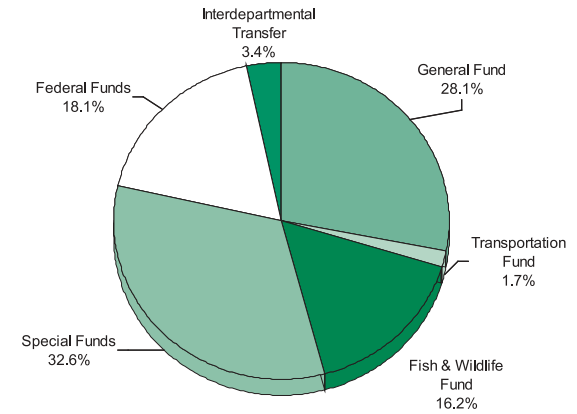
Agency of Transportation



Agency of Human Services



Agency of Natural Resources



Retirement Systems: Funding Update

As specified in 32 VSA §311, the following reports on the financial integrity of the State employees' and teachers' retirement systems.

Contribution Levels

As a result of the June 30, 2004 actuarial valuation, the State Employees' Retirement Board of Trustees recommended that during FY 2006 the state contribute 4.49% of payroll, estimated administrative expenses, and \$2,500,953 to liquidate a portion of the unfunded accrued liability. The resulting annual contribution for FY 2006 is \$38,214,704. The Governor's recommendation of a contribution of 9.9% of covered payroll provides full funding of the Board's recommendation. An annual reconciliation of estimated and actual administrative expenses for the VSERS has been instituted and was performed for the FY 2004 plan year, completed last summer. The first reconciliation proved that \$3.6 million had been over-contributed to the VSERS for administrative expenses during FY2004 and, in cooperation with the Treasurer's Office, the estimate of administrative expenses for the FY 2006 budget has been adjusted for that over-contribution.

The recommended funding for the State Teachers' Retirement System, as determined by the State Teachers' Retirement Board's actuary, is \$49,923,599. The Governor's recommendation provides for a general fund contribution of \$24,446,282. While less than the Teachers' Board request, the Administration's proposed contribution does represent a 19.6% (\$4,000,000) increase from the prior year, the first increase in a Governor's recommendation in five years, and the largest such increase in thirteen years. In addition, at the end of the last (FY 2004) fiscal year, the Governor and the legislature agreed to contribute an additional \$4,000,000 to the Teachers' Retirement Fund.

Funding Levels

Based on Governmental Accounting Standards Board Reporting Requirement Number 25 (GASB 25), the funded ratios for the State Employees' and Teachers' Retirement Funds for the period ending June 30, 2004 are 97.6% and 90.2% respectively. The funded ratios under the old GASB 5 methodology for the State Employees' and Teachers' Retirement Funds for the period ending June 30, 2004 are 100.6% and 87.0% respectively.

The Administration is working with the Treasurer, the Legislative Joint Fiscal Office and the Actuary to determine whether there exists a clearer measure of retirement system funding progress, since both the GASB 5 and GASB 25 methodologies have strengths and shortcomings.

Given the current health of the retirement systems, the Governor's recommendations are consistent with the preservation of their overall financial integrity. The proposed funding levels are not expected to have an adverse impact on the long-term financial health of the respective plans.

Conclusion

The Governor is pleased to propose a budget which includes full funding for the State Employees' Retirement Plan, and the first increase in the recommended contribution to the Teachers' Plan in five years. As it did at the end of the last fiscal year, the Governor will again recommend that the Teachers' Retirement Plan receive an allocation of available surplus year-end revenues.

Acknowledgements

This Executive Summary and the Governor's Recommended Budget could not have been prepared without the extraordinary efforts of all the staff in the Budget Office of the Department of Finance and Management. Their concern for the State of Vermont, dedication, attention to detail and overall tenacity are greatly appreciated.

The Department of Finance and Management is also grateful for the efforts of all Agency and Department heads and their finance staff. Their contribution to the overall success of the Governor's budget strategy is appreciated.

Please contact any of the following with any questions regarding this booklet at 828-2376:

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Fiscal Year 2006 A Common Purpose

Fiscal 2006 Executive Budget Recommendations
is a publication of the
Vermont Department of Finance and Management,
Robert Hofmann, Commissioner.

The purpose of this publication is to inform members of the Vermont
Legislature, state and local government officials, and
Vermont citizens of the Fiscal Year 2006 Budget
Recommendations of Governor Douglas.

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